

January 11, 2017

Shree Nakoda Global Limited

Instrument	Amount	Rating Action
Fund-Based Limits (Cash Credit)	Rs. 1.00 crore	[ICRA]B ; reaffirmed, Stable outlook assigned
Non-Fund Based Limits	Rs. 14.00 crore	[ICRA]A4; reaffirmed

Rating Action

ICRA has reaffirmed the long-term rating of [ICRA]B (pronounced ICRA B) assigned to the Rs. 1.00 crore¹ fund-based bank facilities of Shree Nakoda Global Ltd. (SNGL).² The outlook assigned to the long-term rating is Stable. Also, ICRA has reaffirmed the short-term rating of [ICRA]A4 (pronounced ICRA A four) assigned to the Rs. 14.00 crore non-fund based bank facilities of SNGL.²

Rationale

The ratings take into consideration the long track record of SNGL's promoters in the steel sector, which helps secure business for the company and an increase in the turnover of the company during FY2016, though profitability remained at nominal levels. However, the ratings are constrained by SNGL's weak financial risk profile as reflected by a high gearing and depressed levels of debt coverage indicators, SNGL's relatively small size of operations at present, the ongoing slowdown in the steel industry and the cyclical nature associated with the steel industry, which is likely to keep its profitability and cash flows volatile in future.

Key rating drivers and description

Credit Strengths

- Long track record of the promoters in the steel sector, helps secure business for the company.
- Increase in the turnover of the company during FY2016, though profitability remained at nominal levels

Credit Weakness

- SNGL's weak financial risk profile as reflected by a high gearing and depressed levels of debt coverage indicators
- Relatively small size of operations at present
- Ongoing slowdown in the steel industry
- SNGL's exposure to the cyclical nature associated with the steel industry is likely to keep its profitability and cash flows volatile in future

Description of key rating drivers highlighted above:

The promoters of the company have been in the steel business since more than a decade. Due to the long experience of the promoters in the business the company has well established contacts with suppliers and customers. The company's business has grown in FY2016 on account of an increase in orders from its customers, including its own group company. However, on account of a highly competitive market, the profitability of the company has remained nominal.

Analytical approach:

For arriving at the ratings, ICRA has taken into account the standalone business and financial risk profile of SNGL.

Links to applicable Criteria

Corporate Credit Rating – A Note on Methodology

<http://www.icra.in/Files/Articles/2009-October-Rating-Corp-Rating-Methodology.pdf>

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



About the Company

The company was incorporated in January 1993 by the Raipur, Chattisgarh based Shree Nakoda Group, promoted by Mr. Virendra Goel. The operations of the company are being managed by his younger brother, Mr. Surendra Goel and Mr. R. K. Agarwal. The company is involved in trading of various steel products such as plates, sheets etc. and minerals.

In FY2016, as per the audited financial statements, SNGL reported an operating income of Rs. 175.06 crore and net profits of Rs. 0.35 crore, as against an operating income of Rs. 100.41 crore and a net profit of Rs. 0.29 crore in FY2015.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Table: Rating History

S. No.	Instrument	Current Rating			Chronology of Rating History for the past 3 years			
		Type	Rated amount (Rs. crore)	FY2017	FY2016	FY2015	FY2014	
				January 2017	November 2015	September 2014	June 2013	
1	Fund-Based Limits (Cash Credit)	Long Term	1.00	[ICRA]B (Stable)	[ICRA]B	[ICRA]B	[ICRA]B	
2	Non-Fund Based Limits (Letter of Credit)	Short Term	14.00	[ICRA]A4	[ICRA]A4	[ICRA]A4	[ICRA]A4	

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1 Details of Instrument

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. crore)	Current Rating and Outlook
Cash Credit	-	-	-	1.00	[ICRA]B (Stable)
Letter of Credit	-	-	-	15.00	[ICRA]A4

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